

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 12/23/2014

GAIN Report Number:

Colombia

Retail Foods

Retail Food Annual 2014

Approved By:

Michael Conlon,
Agricultural Counselor

Prepared By:

Anthony J. Gilbert, Agricultural Attaché
Ana Maria Salinas, Agricultural Marketing Specialist

Report Highlights:

The Colombian retail food sector is expected to grow another four percent in 2014, after increasing four percent in 2013. The market leader is Grupo Exito, followed by Cencosud and Olimpica. Traditional mom and pop stores and convenience stores attached to gas stations (gas marts) also continue to be extremely important in the retail food sector in Colombia.

SECTION I: Market Summary

Market Narrative

Colombia is the largest consumer of U.S. agricultural products in South America, followed by Brazil and Venezuela. In fiscal year (FY) 2014, U.S. agricultural exports to Colombia were valued at \$2.3 billion. Trade in U.S. agricultural products to Colombia has expanded as a result of the U.S.-Colombia Trade Promotion Agreement (CTPA), implemented in May 2012. Colombia is eager for access to other markets and has signed Free Trade Agreements (FTAs) with various countries and trade blocs, such as Canada, the South American Common Market (MERCOSUR) and the European Union. Colombia is awaiting final legislative and judicial approvals for FTAs with South Korea, Costa Rica, Israel and Panama. Colombia is currently negotiating FTAs with Turkey, Japan and a larger trade bloc, the Pacific Alliance, which includes Chile, Peru and Mexico.

With an average Gross Domestic Product growth at 4.7 percent over the last decade, and a rising GDP per capita, millions of Colombians have moved out of poverty and into the low and middle income classes. These income adjustments have resulted in more household disposable income and changes in eating patterns, such as shifting diets from vegetable to animal proteins -- poultry consumption has almost doubled in the last ten years. Increasing demand for consumer-ready products has stimulated growth in fast food chain restaurants to support urbanization and more dining outside the home. This has impacted the food industry sector dramatically with food manufacturers desperately seeking a variety of high quality raw materials to adapt to changing consumer tastes and preferences. Colombia is a net importer of many food processing ingredients and trade opportunities abound.

Colombia's total imports of consumer oriented products grew 11 percent in FY2014. The United States has taken the lead in the import market share of consumer oriented products from Chile, the historical leader in this agricultural product category. U.S. consumer oriented product exports were up 28 percent to \$569 million, followed by Chile (\$333 million) and Mexico (\$96 million). Consumer-oriented products account for upwards of 30% of the distribution of U.S. agricultural trade Colombia, second after bulk commodities. The table below provides more details on consumer oriented product trade trends.

FY2014 Colombian Imports of Consumer Oriented Products by Country of Import

Country	Ranking	Import Value FY2013 (million dollars)	Import Value FY2014 (million dollars)	Change
Total		1,482	1,641	11%
United States	1	445	569	28%
Chile	2	334	333	0%
Mexico	3	90	96	6%
Brazil	4	113	87	-23%
Peru	5	70	73	4%
Other countries		431	483	12%

Source: Global Trade Atlas

II. Exporter Business Tips

Market Entry Strategy

It will be critical for U.S. exporters entering the Colombian market to best understand the customer's needs and how to meet their purchasing requirements and specifications, in addition to all standards and regulatory expectations of the Government of Colombia (GOC) to avoid issues at ports of entry. Critical considerations for market entry include the following:

- Competition is based on quality, price and service;
- Innovative marketing strategies are imperative in order to penetrate the market;
- Social marketing techniques continue to be very strong, using sales to generate funding for social programs;
- U.S. suppliers should develop ways to meet the needs of the Colombian market through personal visits to better understand the market and identify needs of buyers and consumer trends;
- Use consolidation when exporting small amounts of product;
- Establish direct contact with hotel and restaurant chains;
- Develop business relationships with top executives like marketing directors, purchasing managers, and expose them to U.S. business practices;
- Participate in local trade and promotion shows, such as Alimentec, Agroexpo, Expovinos, Agrofuturo, and also be part of trade delegations;
- Many Colombian companies' representatives visit trade shows in the United States, such as the American Food and Beverage Trade Show and the Fancy Food Winter/Summer Shows, which are great opportunities to meet and educate Colombian importers;
- Develop, to the extent possible, Spanish marketing/communication materials;
- Work closely with local importers to comply with food import regulations to facilitate the registration and import of food products and minimize port of entry risks;
- Support the importer with promotional campaigns.

Advantages and Challenges for U.S. Exporters

Advantages	Challenges
The CTPA expands opportunities and market potential for many agricultural products.	Colombia has trade agreements with many other countries increasing competition for U.S. products.
U.S. agricultural products have a reputation for being high quality.	Colombian per capita consumption for processed and semi-processed products is low, such as bread, compared to other Latin American markets.
Colombia is the second largest agricultural trade destination for U.S. food product in South America.	U.S. products will have to maintain the reputation of higher quality in order to be competitive with local food processing companies, guaranteeing a consistent and uniform supply of products year round.
The growth of tourism and the hotel and restaurant sectors will require a greater array of raw materials	There is a cultural misperception that frozen products are unhealthy and lack quality.

and ingredients to make final products more appealing to foreigners and fast changing domestic consumer tastes and preferences.	
The growing lower and middle income population, specifically the youth and working women of Colombia, are stimulating new food consumer trends and a growth in processed foods.	Internal transportation costs from ports of entry are costly due extremely poor infrastructure.
Market opportunities for healthy foods and organic products are expanding given growing obesity trends and GOC support for healthy living campaigns.	Cold chain is deficient and Colombians have no clear understanding of this need to maintain product quality.

III. Market Structure and Trends

Colombia is the third most populated country in Latin America after Brazil and Mexico at 47 million inhabitants. About 75 percent of the Colombian population resides in urban areas. Colombia is atypical of Latin America with decentralized urban centers and four cities with over one million residents: Bogota (7.8 million), Medellin (2.4 million), Cali (2.3 million) and Barranquilla (1.2 million).

Urbanization is growing at a consistent two percent per year, stimulating changes in lifestyles and eating patterns. Urban households in Colombia are becoming more typically dual income, resulting in an increasing demand for food and shopping convenience. Western style, large supermarkets are part of a noteworthy retail transformation in the last decade with major, domestic and international grocery chains opening new stores, of varying sizes, at intense rates. For example, CENCOSUD of Chile recently purchased the Carrefour-Colombia subsidiary, establishing the retail chains Jumbo and Metro. Over the past three years, the U.S. retail chain Pricesmart has developed a presence in Colombia, opening a total of six popular stores in the country in Cali (two stores), Barranquilla, Bogota, Pereira and Medellin.

This retail transformation has resulted in Colombian consumers becoming more associated with brand identities. For example, according to a recent consumer survey by Raddar Consumer Knowledge Group, about 80 percent of Colombian households buy specific food brands when shopping. The following branded products are increasing in retail market share: canned/processed food, dried processed food, frozen processed food, meal solutions, oils and fats, ready-to-eat meals, sauces, dressings and condiments.

Major retailers attract mainly upscale and middle-income shoppers. However, low-income consumers are also taking advantage of low price campaigns and premiums offered by large stores. Supermarkets offer a wide variety of high-quality imported products at reasonable prices. In addition, Colombian shoppers mainly buy pre-cooked, pre-packaged and frozen products, beverages and wine. It is important to mention that private labels are becoming very important in the market, representing 14% of the whole portfolio offered by supermarkets (not only food and beverages). Prices of private labels are 15% lower than commercial brands, which is the reason their market share keeps increasing.

TOP 5 COLOMBIAN RETAILERS

COMPANY	OWNERSHIP	2013 SALES (million dollars)	NUMBER OF STORES
---------	-----------	------------------------------	------------------

Grupo Exito	France – Colombia	5,724	448
CENCOSUD	Chile	2,053	74
Olimpica	Colombia	2,045	206
Alkosto	Colombia	1,643	12
La 14	Colombia	691	27

Source: Portafolio

Grupo Exito remains the key player in the retail sector with four formats: Carulla, Exito, Surtimax and Exito Express. At the end of 2012, the Chilean retailer Cencosud bought Carrefour and started operations with three different formats: Jumbo, Metro and Metro Express. Although Olimpica has presence throughout the country, their stores are concentrated in the northern Colombian region, with two formats: Super Almacen Olimpica y Super Tiendas Olimpica. Internet retailing is also becoming more popular for Colombians, led by Grupo Exito. In addition, La 14 has a growing presence on the Internet.

According to Euromonitor, discount retailers are the most dynamic sectors of the retail food market. Main discounters are Surtimax, D1 and Ara. Surtimax, which is the retail format of Grupo Exito for low-income consumers, has expanded its presence throughout the country. Its latest strategy is to become an ally for certain well-structured mom and pop stores, supplying them with merchandise and giving them marketing support. D1 has around 20 outlets in the country, mainly concentrated in the coffee region in the center of the country. Ara is the discount format of the Portuguese retailer Jeronimo Martins that started business in Colombia in 2013.

Despite rapid modernization in the retail food sector, traditional mom and pop stores and gas marts continue to be one of the most important sectors of the retail food market in the country. They represent 52% of the retail food market and are scattered throughout the country. The high percentage of sales in small stores is the result of specific consumer needs. Convenience, credit availability, and a need to make small daily purchases are factors for their success. The mom and pop stores service mostly middle and lower-income consumers. Gas marts service all income level customers.

The mom and pop store format is small in size (20 to 200 square meters) but large in number (approximately 450,000 in Colombia). They offer basic products, and have a small inventory. Most products available are perishable: milk, eggs, fresh fruits and vegetables, including potatoes and some processed foods. The future of mom and pop stores lies in their ability to continue to meet needs of low and middle-class groups that are not met by supermarkets.

Government and private institutions have organized and implemented marketing improvement programs, including credit sources, institutional framework, legal requirements and technical and managerial training aimed at fostering efficiency in the distribution of food and price reduction.

Convenience food is a fast growing industry with increasingly more U.S. fast food chains establishing a presence Colombia. In addition, Colombian consumers are demanding more innovation in packaging, flavors and nutritional benefits. Smaller packaging is an increasing trend for different kinds of food with people interested in more economical, single portions.

Colombian convenience stores attached to gas stations continue to be an important segment in the retail

food sector. It has had very good acceptance in Colombia and is a venue for fast food, snacks, ready-to-eat, hot and cold beverages and other food staples. They complement mom and pop stores and also offer ATM service. Shoppers are generally young professionals, students and single people who either drive or walk to the store. Gas marts are usually open 24 hours a day.

Demand for healthy foods is also increasing in Colombia, bolstered by a well-known consumer survey that concluded that problems with obesity is a growing trend in the country, with approximately 51 percent of Colombians being overweight or obese. As a response, retailers have been responsive to this healthy trend and most of them have special shelves where consumers can find healthy products. The Government of Colombia (GOC) has also launched healthy lifestyle campaigns, increasing the exposure of healthier food alternatives.

Colombian wet markets are important players in the retail sector. Each small town has a wet market that opens at least once a week, supplied by local and regional small-scale production. These markets offer fresh perishable foods, (seasonal fruits, potatoes, and vegetable), live animals and homemade dairy products. In addition, low-priced, bargaining markets also provide food products for mom and pop stores. CORABASTOS is the biggest wholesale market in Colombia located in Bogota. It handles daily over 12 thousand tons of food, including perishable products, grains, pulses, among others.

Sales of Packaged Food in Colombia by Category (Thousand Tons)

	CY 2011	CY 2012	CY 2013	Change 2013/2012
Bakery	1,158.9	1,169.1	1,173.5	0.4%
Canned / Preserved Food	61.1	62.4	64.0	2.6%
Chilled Processed Food	68.4	73.4	76.2	3.8%
Confectionery	55.6	56.8	58.1	2.3%
Dairy	2,006.9	2,044.0	2,064.9	1.0%
Dried Processed Food	1,254.7	1,274.4	1,296.5	1.7%
Frozen Processed Food	13.0	13.1	13.3	1.5%
Ice Cream	64.1	66.4	71.1	7.1%
Oils and Fats	481.9	482.9	480.3	-0.5%
Pasta	136.1	139.8	143.7	2.8%
Sauces, Dressings and Condiments	55.8	57.3	58.9	2.8%
Prepared Soups	3.1	3.2	3.3	3.1%
Spreads	20.3	20.2	20.7	2.5%
Sweet and Savoury Snacks	78.9	86.4	92.7	7.3%
Meal Solutions	217.4	225.9	232.4	2.9%

Source: Euromonitor

IV. Competition

Competition Narrative

The CTPA entered into force in May 2012. This comprehensive trade agreement eliminated tariffs and other barriers to goods and services. Although over 80 percent of U.S. exports of consumer and industrial products to Colombia have become duty-free, the CTPA provided a duty free tariff-rate-quota

(TRQ) on certain goods that operate under a first come/first serve basis, except for rice and poultry which are subject to auctions managed by Export Trading Companies. There are significant opportunities for imported, value-added food products and raw materials in Colombia due to shifting consumer preferences. United States competitors for raw materials for processing and value-added products are MERCOSUR, Canada and the European Union and all three have free trade agreements with Colombia. Colombia is awaiting final legislative and judicial approvals for FTAs with South Korea, Costa Rica, Israel and Panama. Colombia is currently negotiating FTAs with Turkey, Japan and a larger trade bloc, the Pacific Alliance, which includes Chile, Peru and Mexico.

FY2014 Colombian Food Product Rankings by Country of Import

Product Category Harmonized System Code	Rank	Country	Import Value (million dollars)
Meat And Meat Offal HS 02		Total	234
	1	United States	176
	2	Canada	26
	3	Chile	24
	4	Peru	5
	5	Argentina	1
		Other countries	2
Dairy Products HS 04		Total	81
	1	United States	38
	2	Chile	11
	3	Uruguay	8
	4	Argentina	5
	5	Ecuador	4
		Other countries	15
Edible Vegetables, Certain Roots And Tubers HS 07		Total	137
	1	Canada	56
	2	China	24
	3	Peru	15
	4	United States	15
	5	Mexico	9
		Other countries	18
Edible Fruit And Nuts HS 08		Total	279
	1	Chile	177
	2	United States	55
	3	Peru	15
	4	Spain	7
	5	Ecuador	6
		Other countries	19
Coffee, Tea, Mate And Spices HS 09		Total	57
	1	Peru	19
	2	Ecuador	11
	3	Brazil	8

	4	Sri Lanka	7
	5	India	4
		Other countries	8
Milling, Malt And Starches HS 11		Total	26
	1	Chile	6
	2	United States	5
	3	Thailand	2
	4	Netherlands	2
	5	Brazil	1
		Other countries	10
Edible Preparations Of Meat, Fish, Crustaceans, Mollusks HS 16		Total	262
	1	Ecuador	112
		Duty Free	
	2	(Cartagena)	83
	3	United States	31
	4	Chile	14
	5	Peru	12
		Other countries	10
Sugars And Sugar Confectionary HS 17		Total	129
	1	Bolivia	32
	2	Peru	27
	3	Brazil	15
	4	United States	15
	5	China	9
		Other countries	31
Cocoa And Cocoa Preparations HS 18		Total	77
	1	Ecuador	22
	2	United States	18
	3	Brazil	7
	4	Mexico	4
	5	Italy	4
		Other countries	22
Preparations Of Cereals, Flour, Starch Or Milk; Bakers' Wares HS 19		Total	208
	1	Mexico	45
	2	Chile	43
	3	United States	26
	4	Peru	23
	5	Spain	7
		Other countries	64
Preparations Of Vegetables, Fruit, Nuts HS 20		Total	137
	1	United States	55
	2	Chile	23
	3	Mexico	9
	4	Netherlands	6

	5	Argentina	6
		Other countries	38
Miscellaneous Edible Preparations HS 21	1	Total	303
	2	United States	124
	3	Brazil	58
	4	Mexico	21
	5	Chile	16
		Peru	10
		Other countries	74
Beverages, Spirits And Vinegar HS 22	1	Total	280
	2	United Kingdom	54
	3	United States	36
	4	Chile	23
	5	Mexico	22
		Ecuador	22
		Other countries	123
Albuminoidal Substances; Modified Starches; Glues; Enzymes HS 35	1	Total	138
	2	United States	32
	3	Brazil	30
	4	Mexico	15
	5	Denmark	10
		China	9
		Other countries	42

Source: Global Trade Atlas

SECTION V: Best Product Prospects

U.S. Agricultural Product Market Potential

Consistent 4.7 percent GDP growth and a rising per capita income have led to increased demand for fast food restaurants and ready-to-eat food products. Colombia is already an important market for America's farmers and ranchers. In FY2014, the United States exported \$2.3 billion of agricultural products to Colombia. Top U.S. agricultural exports were corn, wheat, soybean meal and pork and pork products.

Colombia is a fast growing market for value-added food products. Surveyed retailers and food importers feel there is significant potential for new products in all food categories. Healthy and ethnic food categories are especially new and fast growing. Wines and gourmet products are penetrating the market with excellent results. Organic food products are a new trend and retailers are searching for the best suppliers.

The following products categories represent the major export opportunities and some emerging opportunities for U.S. food products to Colombia with zero duties:

Bulk Commodities	Intermediate Products	Consumer-Oriented
------------------	-----------------------	-------------------

corn (up to quota)	soybean meal	chilled pork
wheat	soybean oil	pastry and dessert mixes
dried beans and lentils	distillers grains	condiments (except mayonnaise)
cotton	vegetable oils	frozen vegetables
soybeans	feeds and fodders	premium beef cuts
peanuts	wheat flour	processed turkey
		beer
		wine
		nuts
		soup preparations
		lamb
		fresh fruits
		healthy food products
		processed vegetables

Below is the CTPA TRQ schedule according to agricultural product or bulk commodity:

Product	Base Duty	TRQ (MT) 2015	TRQ Annual Increase	Phase Out Period	Safeguard Trigger Level
Yellow Corn	25%	2,431,013	5.0%	12 years	
White Corn	20%	158,016	5.0%	12 years	
Rice	80%	90,152	4.5%	19 years (6 of grace)	120% of TRQ
Sorghum	25%	24,310	5.0%	12 years	130% of TRQ
Dried Beans	40.2%	18,233	5.0%	10 years	
Animal Feeds	10%- 25%	224,869	5.0%	12 years	
Pet Food	28%	10,884	8.0%	8 years	
Chicken Leg Quarters	70%	30,416	4.0%	18 years (10 of grace)	130% of TRQ
Poultry Parts	164.4%			18 years (5 of grace)	
Spent Fowl	20%	450	3.0%	18 years	130% of TRQ
Standard Quality Meat	51.2%	2,431	5.0%	10 years	140% of TRQ
Variety Meats	51.2%	5,451	5.5%	10 years	
Pork Meat	30%	Unlimited		5 years	
Crude Soybean Oil	24%	35,096	4.0%	10 years	
Glucose	28%	12,155	5.0%	10 years	
Milk Powder	33%	7,321	10.0%	15 years	
Cheese	20%- 33%	3,075	10.0%	15 years	

Yogurt	20%	146	10.0%	15 years	
Butter	33%	732	10.0%	11 years	
Processed Dairy Products	20%	1,464	10.0%	15 years	
Ice Cream	20%	439	10.0%	11 years	
Maple Syrup	5%	Unlimited		5 years	

For further information please check the following link:

<http://www.ustr.gov/trade-agreements/free-trade-agreements/colombia-fta/final-text>

RICE: <http://www.col-rice.org/>

POULTRY: <http://www.colom-peq.org/>

SECTION V: Post Contact and further Information

RELATED REPORTS

Check following link:

<http://gain.fas.usda.gov/Pages/Default.aspx>

POST CONTACT INFORMATION

Office of Agricultural Affairs
U.S. Embassy, Bogotá, Colombia
Carrera 45 No. 24B-27
Bogotá, Colombia

Telephone: (57-1) 275-4622
Fax: (57-1) 275-4525
e-mail : AgBogota@fas.usda.gov

USDA Animal Plant Health Inspection Service (APHIS)
U.S. Embassy, Bogotá, Colombia
Phone: (57-1) 275-4572
Fax: (57-1)275-4571
e-mail: Roberto.Guzman@aphis.usda.gov

COLOMBIAN GOVERNMENT CONTACTS

Phytosanitary and Zoosanitary Requirements:

Ministry of Agriculture and Rural Development
Colombian Institute for Agriculture and Livestock (ICA)
Carrera 41 No. 17-81
Bogotá, Colombia

Juan Andres Angulo Mosquera
Deputy Manager Animal Health Protection
ICA -Instituto Colombiano Agropecuario
Carrera 41 No. 17-81
Bogotá, Colombia
Tel. (57-1) 332-3736 ext. 1201
e-mail: subgerencia.pecuaria@ica.gov.co

Carlos Alberto Soto
Deputy Manager Plant Health Protection
ICA -Instituto Colombiano Agropecuario
Carrera 41 No. 17-81
Bogotá, Colombia
Tel: (57-1) 332-3754 ext.1301
E-mail: subgerencia.agricola@ica.gov.co

Food Product Registration and Health Permits:

Ministry of Health and Social Protection
National Institute for the Surveillance of Food and Medicine (INVIMA)

Division of Food and Alcoholic Beverages
Harry Alberto Silva
Carrera 10 No 64 -28
Bogotá, Colombia
Phone: (57-1) 294-8700 Ext. 3920
E-mail: invimasal@invima.gov.co

Office of International Affairs
María Angélica Sánchez Herrera
Carrera 10 No 64 -28
Bogotá D.C. Colombia
Phone: (57-1) 294-8700 Ext. 3897
E-mail: msanchezh@invima.gov.co